

7 Steps in Conducting a Real Estate Market Analysis

Starting a [real estate analysis](#) is different from conducting a marketing study. The former focuses on numbers, while the latter is much concerned with metrics. What happens when you bring the two together?

Well, you get a real estate market analysis. How does it work, you ask? Allow this article to show you the ropes.

What Is a Real Estate Market Analysis?

A real estate market analysis (or comparative [marketing analysis](#)) is defined as an outline of a property's estimated value. It's based on a property's conditions and features in its area's housing market. It's different from an appraised value though, so this one has no legal or financial value

This analysis is usually prepared before clients buy or sell houses. Its definition tells you that it's a far cry from [networking](#) or whipping up [marketing ideas](#). Doing a real estate market analysis means you have to follow a certain set of steps to figure out if your property is valuable or not.

Why Should You Do a Real Estate Market Analysis?

Conducting a real estate market analysis can be pretty scary; make one wrong move, you'll find yourself back on square one. There are a lot of things you need to consider when doing such an analysis, so don't jump right into it if you don't know what you're doing.

A market analysis is something you should definitely include in your [real estate checklist](#). A lot of real estate investors sweep this important report under the rug, so you can call this an underestimated asset. A real estate market analysis is a pretty big deal as it's the basis for every decision and calculation that comes after it. If you want to make good decisions, give the market a good review first.

How Should You Do a Real Estate Market Analysis?

A typical real estate market analysis consists of a few steps that are ideally followed chronologically. Quality matters here since it can tell whether a property is a worthy investment or not. With that said, take your time and gather the information you need to completely gauge a property's market area.

Regardless if you're a beginner or not, these 7 steps are very doable; they're not rocket science, and they don't need a genius to execute them. Make the most out of your analysis and follow all these, one at a time.

Do a Property Analysis

Before you think about your [buyers list](#), get the ball rolling by analyzing your target or subject property. This first step alone has a lot of ground to cover because you have to look at many factors to get this right.

Neighborhood, land area, size, construction age, recent renovations, and amenities are just some of the things you have to look at when doing a property analysis. If you want accuracy, you're going to have to do a lot of digging on these things; after all, an analysis like this means you're not comparing apples to oranges. The more you'll know, the better your analysis will be.

Look for the Original Listing Price

Prices matter in real estate. To get your subject property's original listing price, find its address first to narrow down your search. If you can't find the full street address, a town address and approximate price will do. Afterwards, place the address on a platform like Zillow and look at its property history. You should be able to see every price your subject property was listed here.

If you're having trouble accessing the listing price, you can ask a real estate agent to help you out. Although listings are deemed as public records, some states may require realtors to access them.

Assess Comparable Properties

[Real estate websites](#) are the best places to start. Use its search function to look for properties available for purchase in your target area. Scan active and recently purchased property listings to discover houses that are similar to your property's size, amenities, and age.

Those properties should ideally be within a 1 to 2 mile radius from your home or subject property. Platforms like Google Maps are great if you want to see photographs of them. For your real estate market analysis, search for around 5 to 6 properties that have been sold or listed within the past 6 months. Don't forget to jot down their list prices while you're at it.

Know About Your Competition

As you know by now, real estate is a field surrounded by tight competition. While you don't have to fight your competitors, you still need to observe and anticipate them.

This starts with your desired region and neighborhood. As you learn about the neighborhood's target market, you'll be able to spot any competition. You can also look at the number of properties in the area and compare that to the demand. As more people want to settle down in that area, competitors will come running and make houses more expensive.

Check Value Estimate

How will you know if your area of choice is a truly valuable one? You can do this by getting a property value estimate.

Get a value estimate by finding out the average sale price per square foot for residential sales in your desired area. Reach out to local real estate agents and check credible sources like county assessor websites for additional helpful information.

A little reminder though: your average calculations are simply calculations. They don't consider your subject property or chosen neighborhood's unique aspects, which can trigger increases or decreases in your subject property's value.

Determine a Price Range

If you're done with your research and calculations, you'll likely be left with 3 numbers and predictions. One is based on your subject property's sales history. Another one is rooted from previous comp sales. The last one takes current market offerings into consideration.

These three numbers should be arranged from the lowest to the highest. This should result in an estimated sales price range for your market analysis.

Decide the Market Value

Wrap things up by determining your subject property's market value. Input all your gathered information through a [template report](#) form provided by relevant software such as MLS.

You may make some price adjustments along the way as you take structure differences into account. Say for example that a property you're pricing has 3 bedrooms; meanwhile, a comp only has 1. If you see something similar to this example, you have to adjust prices to fit your subject property.

Brace yourself for some math because you're going to do it here. After you've adjusted your prices, take each property's sold/adjusted price and divide it by its square footage. This results in the sold price per square foot.

From division, let's jump to multiplication. Each of your comparable properties' calculated average price per square foot should be multiplied by your subject property's square feet. By doing so, you'll finally get the current market value.

These steps can hopefully provide you a good understanding of how a real estate market analysis works. It's a time-consuming process, but a necessary one if you want real estate investors to bank on your properties. You'll thank yourself someday if you take your time in making a great analysis that investors will be convinced with.